NEWS from the Democrats
Committee on Resources
U.S. Rep. Nick Rahall, Ranking Democrat
1329 Longworth HOB ■ Washington, DC 20515 ■ www.house.gov/resources/democrats

FOR IMMEDIATE RELEASE
February 11, 2004

CONTACT: Kristen Bossi
(202) 226-1736

BACKGROUNDER
Abandoned Mines and Miners Nexus

The Abandoned Mine Reclamation Fund was established by Title IV of the Surface Mining Control and Reclamation Act of 1977 (SMCRA) to address public health, safety and environmental problems resulting from past coal mining practices. In effect, the Abandoned Mine Reclamation Fund and the programs it supports (commonly referred to as the AML program) is the coal industry's equivalent to the "Superfund."

Only areas abandoned prior to the date of enactment of SMCRA, where there is no continuing reclamation responsibility by any person under state or federal law, are eligible for reclamation under Title IV. Funding of reclamation projects is subject to a priority schedule. For example, "priority 1" projects concern those which involve the protection of public health, safety, general welfare and property from extreme danger of the adverse effects of coal mining practices. "Priority 3" projects, on the other hand, concern environmental problems associated with past coal mining practices which do not necessarily constitute a public health or safety threat.

The Fund, administered by the Secretary of the Interior through the Office of Surface Mining Reclamation and Enforcement, is financed by a reclamation fee assessed on every ton of mined coal at the rate of 35 cents per ton of surface mined coal, 15 cents per ton of underground mined coal and 10 cents per ton for lignite. Expenditures from the Fund are subject to appropriation by Congress. The authority to collect the reclamation fee expires on September 30, 2004.

The Fund is divided into the State/Tribal and Federal shares with each State or Indian tribe with a federally approved reclamation program (generally referred to as "program" or "primacy" states) entitled to 50 percent of the reclamation fees collected from coal operators within their state or tribe. Annually, these states receive reclamation project construction grants and administrative grants from their share of the Fund.

The Federal share of the Fund is allocated among a number of programs such as emergency projects involving sudden and life-threatening situations which demand immediate attention. Remaining funds are distributed to program states under an allocation formula based on historic coal production. At present, 23 states and three tribes have approved abandoned mine reclamation programs.

In 1992, when Congress last reauthorized the Abandoned Mine Reclamation Program, it also established the Combined Benefit Fund (CBF) merging the United Mine Workers of America's 1950 and 1974 benefit plans in an attempt to stabilize funding and insure lifetime health benefits for retired miners. These benefits were originally established in a contract between the federal government and the union. The contract was signed in the White House in 1946 with President Harry Truman witnessing the ceremony. The Combined Benefit Fund covers miners who retired before July 20, 1992 (who were covered under either the union's 1950 or 1974 benefit plans, and eligible for benefits in 1992 when Congress created the Combined Fund). It provides health care and death benefits to nearly 50,000 retired miners and widows. The average age of a CBF beneficiary is 78 years old.

The establishment of the CBF was in response to changes in the coal industry which created a large class of 'orphaned' miners whose benefits were no longer being paid by a company that was a member of the Bituminous Coal Operators Association, which negotiates contracts with the UMWA. These companies no longer existed, or simply walked away from their obligations to their former employees. As a result, health care premiums paid by coal company signatories to the National Bituminous Coal Wage Agreement were no longer sufficient to maintain benefit payments.

A critical element of the 1992 legislation was a provision which authorized the annual transfer of interest that accrues to the Abandoned Mine Reclamation Fund to the CBF to finance health care costs for these orphaned miners, known as 'unassigned' beneficiaries.

While that provision worked well for several years, by the late 1990s the CBF began to experience a financial crisis largely as a result of higher prescription drug costs and several adverse court decisions involving issues relating to the premiums paid by industry for beneficiaries assigned to them as their responsibility under the 1992 Act. The effect of these court rulings has been to continuously erode the financial solvency of the CBF as a whole in recent years, affecting assigned and unassigned beneficiaries alike, and the self-sustaining financial structure Congress established with the 1992 Coal Act.